State of Idaho

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State Insurance Regulation Needed

(May 29, 2009) – Our current system of state-based insurance regulation is under attack by large insurance organizations and members of Congress. For over 150 years state regulation has successfully guided insurance companies through many financial solvency issues. The reforms currently under consideration would pass oversight on to the federal government.

Under the current system, consumers benefit from the time-tested protections of state oversight. State insurance departments serve the public interest by providing fair, prompt treatment for our local consumers from local representatives who live and work where they do and understand their needs. We also serve to promote competitive insurance markets. As a result, the insurance industry has remained relatively calm in otherwise turbulent financial times.

While other financial services businesses have failed under federal regulation in the past year, state insurance oversight has kept insurance companies stable and protected policyholders from the worst of the financial meltdown. Through current regulations, companies can meet their obligations to the individuals and businesses who, as policyholders, have put their trust in them.

In Idaho, this state system protects policyholders by effectively monitoring more than 1600 insurance companies that generate nearly \$6 billion in premiums in the state. The Idaho Department of Insurance also licenses and regulates more than 60,000 agents, both resident and nonresident.

Federal regulatory structures must be updated to better identify and manage systemic risk in the broader financial system that is outside the scope of insurance regulation. But any such proposals should preserve the state-based insurance regulatory system and its proven track record of strong solvency and consumer protections. State insurance regulation must remain part of the process.

Financial regulators at all levels must collaborate about emerging issues and trends, allowing for early identification and swift action on issues that could affect the larger economy. State insurance regulators can scan markets, see problems and react quickly.

We in the state-based regulatory system want to work with the Obama administration and Congress to help enact responsible, inclusive reform efforts. It is imperative that we preserve and build upon the successful model of state regulation. The American people want more financial stability, not less.